

ANNUAL BUDGET
DIKGATLONG
MUNICIPALITY

2011/12 TO 2013/14

MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS



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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

During the time when we were preparing the 2010 / 2011 (current financial year) financial year's budget we assumed that by the time the 2011/12 financial year's budget is finalized local government elections would have taken place. However, that has not been the case and we are required to finalize our term by approving a final budget for the coming financial year, and hand over the baton to the coming team. During the recent weeks we have embarked on public participation processes in an attempt of listening to the communities around the municipal area.

The National Treasury has availed a budget circular sensitizing us on how the 2011/12 budget must be prepared or considerations that must be borne in mind when the budget is prepared. The issues relating to job creation has been raised more vocally even during the recent public participation processes. We must therefore work even harder in creating conducive environment for ensuring that job creation is a reality.

“You can dodge your responsibilities, but you cannot dodge the consequence of not doing your responsibilities.” – An economist of the sixteen century

This budget allows us to execute our responsibilities to the community albeit the resources at our disposal are not adequate for the work at hand. Having said that, we cannot use inadequate resources as an excuse to dodge our responsibilities least history will judge us harshly.

This budget is buttressed by our electoral mandate of doing more and better in our quest for building a better life for all.

And so on in address the mandate of Dikgatlong Municipality we respond as ...

1.2 Council Resolutions

On 5 May 2011 the Council of Dikgatlong Municipality met in the Council Chambers of Dikgatlong Municipality in Barkly West, to consider the annual budget of the municipality for the financial year 2011/12. The Council approved and adopted the following resolutions:

1. The Council of Dikgatlong Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2011/12 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 on page 24;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.

- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
 - 1.2.4. Asset management as contained in Table 26 on page 36; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.
2. The Council of Dikgatlong Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2010:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for the supply of water – as set out in Annexure C
 - 2.4. the tariffs for sanitation services – as set out in Annexure E
 - 2.5. the tariffs for solid waste services – as set out in Annexure F
3. The Council of Dikgatlong Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2011 the tariffs for other services, as set out in Annexures G1 to G21 respectively.
4. To give proper effect to the municipality's annual budget, the Council of Dikgatlong Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipal financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. This has resulted in savings to the municipality the current financial year's adjusted budget. Key areas where savings were realized were on telephone and internet usage, printing, workshops, national travel, accommodation, overtime and catering.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2011/12 MTREF.

The main challenges experienced during the compilation of the 2011/12 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Water providers and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Salary increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2011/12 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2011/12 MTREF:

- The 2010/11 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2011/12 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2011/12 MTREF

R thousand	Adjustments Budget 2010/11	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Total Income and Gants	71, 365	77, 373	83, 176	89, 311
Total Expenditure and Capital	66, 365	72, 373	77, 784	82, 106
(Surplus)/Deficit for the year	5, 000	5, 000	5,392	7, 205

Total Income and Grants has grown by 7.76 per cent or R6 million for the 2011/12 financial year when compared to the 2010/11 Adjustments Budget. For the two outer years, Income and Grants will increase by 6.97 and 6.87 per cent respectively, equating to a total Income and Grant growth of R11.938 million over the MTREF when compared to the 2010/11 financial year.

Total Expenditure and Capital for the 2011/12 financial year has been appropriated at R77.3 million. When compared to the 2010/11 Adjustments Budget, expenditure and capital has grown by 8.302 per cent in the 2011/12 budget and by 6.95 and 5.26 per cent for each of the respective outer years of the MTREF.

The capital budget for 2011/12 is 6.3 per cent less when compared to the 2010/11 Adjustment Budget. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current economic circumstances. The capital programme increases in the 2012/13 financial year and then evens out in 2013/12 to R4.3 million. A substantial portion of the capital budget will be funded from MIG and MSIG over the MTREF period. A large portion of the Municipality Capital Grant has been finalized and will be adjusted accordingly in the Adjustment budget of 2011/12. The balance will be funded from internally generated funds.

1.4 Operating Revenue Framework

For Dikgatlong Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- Growth in the Municipality and continued economic development;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;

- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and

The following table is a summary of the 2011/12 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source									
Property rates	3,662	4,303	7,424	2,000	7,000	7,000	7,500	8,063	8,627
Property rates - penalties & collection charges									
Service charges - electricity revenue	7,211	6,191	15,940	12,000	12,000	12,000	15,440	16,598	17,843
Service charges - water revenue	6,089	5,532	8,390	5,000	5,000	5,000	5,500	5,913	6,3262
Service charges - sanitation revenue	1,610	1,935	1,828	2,000	2,000	2,000	2,500	2,688	2,876
Service charges - refuse revenue	3,092	3,730	4,496	1,000	1,000	1,000	1,500	1,613	1,725
Service charges - other				300	300	300	300	323	347
Rental of facilities and equipment	217		247	220	220	220	220	236	254
Interest earned - external investments		259	3	150	150	150	150	161	173
Interest earned - outstanding debtors	1,856	2,409	5,846	1,400	1,400	1,400	1,400	1,505	1,618
Fines				102	102	102	102	110	118
Licences and permits	183	215	101						
Agency services									
Transfers recognised - operational	16,792	21,194	31,774	42,023	42,023	42,023	42,576	42,769	49,202
Other revenue	1,924	590	93	170	170	170	185	199	202
Gains on disposal of PPE									-
Total Revenue (excluding capital transfers and contributions)	42,635	46,357	76,141	66,365	71,365	71,365	77,373	83,176	89,311

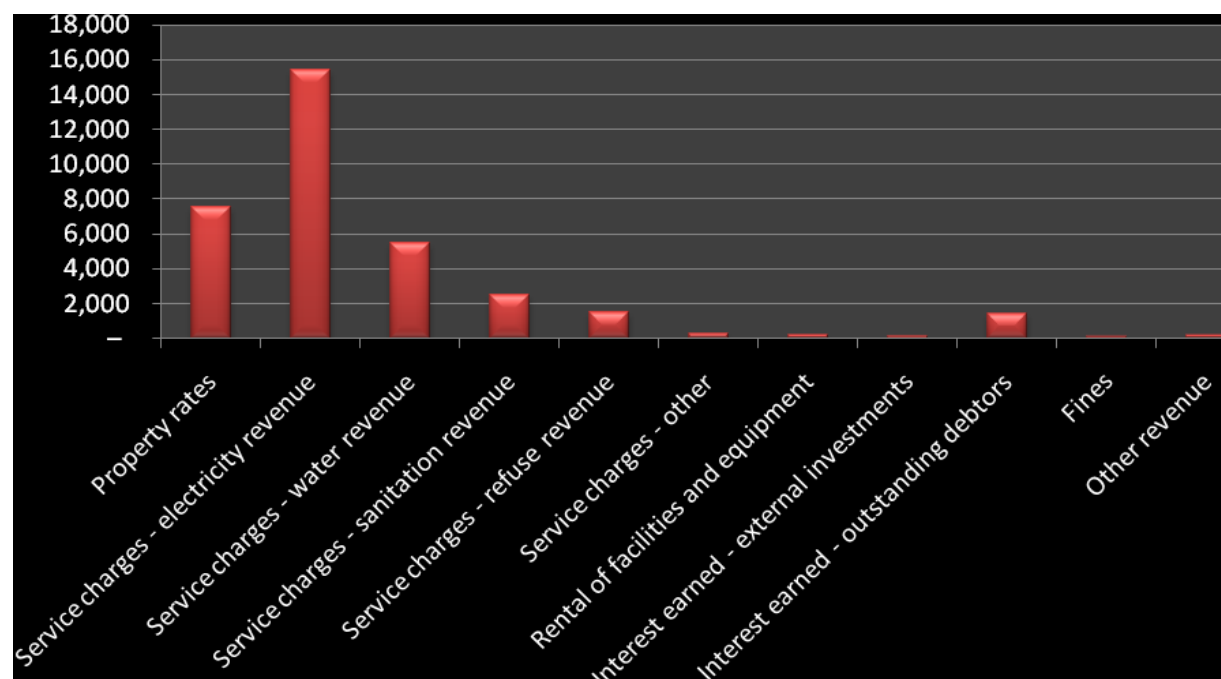


Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Revenue By Source								
Property rates	7,000	21.3%	7,500	20.0%	8,063	19.7%	8,627	19.4%
Property rates - penalties & collection charges								
Service charges - electricity revenue	12,000	37.5%	15,440	39.7%	16,598	41.3%	17,843	42.8%
Service charges - water revenue	5,000	11.3%	5,500	10.7%	5,913	10.6%	6,326	10.6%
Service charges - sanitation revenue	2,000	2.7%	2,500	2.6%	2,688	2.5%	2,876	2.5%
Service charges - refuse revenue	1,000	3.1%	1,500	3.0%	1,613	3.1%	1,725	3.2%
Service charges - other	300	0%	300	0%	323	0.2%	347	0.1%
Rental of facilities and equipment	220	0%	220	0%	236	0.7%	254	0.6%
Interest earned - external investments	150	1.0%	150	0%	161	0.4%	173	0.4%
Interest earned - outstanding debtors	1,400	2.3%	1,400	2.3%	1,505	2.3%	1,618	2.3%
Fines	102	0.5%	102	0.4%	110	0.4%	118	0.4%
Licences and permits								
Agency services								
Transfers recognised - operational	42,023	6.0%	42,576	6.6%	45,769	6.5%	49,202	6.3%
Other revenue	170	12.3%	185	12.2%	199	11.5%	202	10.7%
Gains on disposal of PPE								
Total Revenue (excluding capital transfers and contributions)	71,365	100%	77,373	100%	83,176	100%	89,311	100%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2010/11 financial year, revenue from rates and services charges totalled R27.3 million. This increases to R32.7 million, R35.2 million and R37.7 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1 (see page 99).

Property rates is the second largest revenue source totalling R7.0 million rand and increases to R8,26 million by 2013/14. The other sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees.

Table 4 Operating and Capital Transfer and Grant Receipts

Description	Budget Year	Budget Year	Budget Year
	2011/12 (R'000)	2012/13 (R'000)	2013/14 (R'000)
RECEIPTS:			
<u>Operating transfers and Grants</u>			
<u>National Grants</u>			
Financial Management Grant (FMG)	1 450	1500	1 750
Municipal Systems Improvement Grant (MSIG)	790	800	900
National Equitable Share	40 046	44 285	47 179
<u>Capital grant</u>			
Municipal Infrastructure Grant (MIG)	21 118	25 677	27 089
Regional Bulk Infrastructure Grant			14 000

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Sedibeng and Vaalharts Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Dikgatlong Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R25 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 35 per cent rebate will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the property rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2011/12 financial year are based as contained below:

Table 4 Comparison of proposed Property rates to levied for the 2011/12 financial year

PROPERTY RATES	2011/12	2012/13	2013/14
Farms	2.3544	2.3544	2.3544
Rebates:			
No Roads	0.18%	0.18%	0.18%
No Sewerage	0.18%	0.18%	0.18%
No Electricity	0.18%	0.18%	0.18%
No Water	0.47%	0.47%	0.47%
No Refuse	0.18%	0.18%	0.18%
Job Creation	0.12%	0.12%	0.12%
Permanent Farm Dwelling	0.12%	0.12%	0.12%
Portable Water for Farm Dwellings	0.12%	0.12%	0.12%
Electricity for Farm Dwellings	0.12%	0.12%	0.12%
Cemeteries, Schools and Recreational Facilities	0.12%	0.12%	0.12%
Standard Discount	0.57%	0.57%	0.57%
Total possible rebate for farms	2.331	2.331	2.331

Period of 4 year to phase-in the property rates	Taxable Percentage
2008/09	25% Taxable
2009/10	50% Taxable
2010/11	75% Taxable
2011/12	100% Taxable

Description	2011/12	2012/13	2013/14
Residential Properties with Dwelling	2.12%	2.12%	2.12%
Tax free Portion of Property	R15 000,00	R15 000,00	R15 000,00

Description	2011/12	2012/13	2013/14
Vacant Plots	R2.35	R2.35	R2.35
Businesses	R2.35	R2.35	R2.35
Hospital, Schools, Recreation, NGO, Cultural Org	R0.00	R0.00	R0.00
Churches and religious organization	R0.00	R0.00	R0.00
National and provincial government	R2.95	R2.95	R2.95
Section 17g properties (first 10 years free)	R2.35	R2.35	R2.35

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

Table 5 Proposed Water Tariffs

Water Tariffs	2011/12	2012/13	2013/14
Penalty for water meter tampering	R2 000.00	R2 000.00	R2 000.00
<u>HOUSEHOLDS</u>			
0 – 25mm minimum tariff	R43.20	R46.90	R46.90
26 – 50mm	R205.20	R222.85	R222.85
Unit 0 – 6kl	R5.39	R5.90	R5.90
6 – 20kl	R6.05	R6.60	R6.60
21+	R7.08	R7.70	R7.70
Deposit	R313.00	R313.00	R313.00
Re-connection fee	R238.00	R238.00	R238.00
Test of meter	R313.00	R313.00	R313.00
Untreated canal water	R140.00	R140.00	R140.00
<u>BUSINESS</u>			
0 – 25mm minimum tariff	R118.80	R129.00	R129.00
26 – 50mm	R183.60	R199.40	R199.40
Unit 0 – 6kl	R6.10	R6.60	R6.60
6 – 20kl	R6.86	R7.50	R7.50
21+	R7.15	R7.75	R7.75
Deposit	R562.00	R562.00	R562.00
Reconnection fee	R421.00	R421.00	R421.00
Test of meter	R313.00	R421.00	R421.00

Water tariff	2011/12	2012/13	2013/14
INDUSTRIAL	R183.60	R199.40	R199.40
0 – 25mm minimum tariff	R313.20	R340.10	R340.10
26 – 50mm	R928.80	R1008.70	R1008.70
51 – 150mm	R5.52	R6.00	R6.00
Unit 0 – 100kl	R6.10	R6.60	R6.60
101 – 400kl	R7.15	R7.75	R7.75
401+			
	R1 290.00	R1 290.00	R1 290.00
Deposit	R572.00	R572.00	R572.00
Re-connection fee	R313.00	R313.00	R313.00
Test of meter	R4.47	R4.47	R4.47
Untreated water per kl	R7.89	R7.89	R7.89
Temporary connection per kl			

Notes:

Any person found tempering with the meter will be liable for a penalty fee of R2 000,00

The following table shows the impact of the proposed increases in water tariffs on the water:

The tariff structure of the 2010/11 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of for consumption in excess of 72kl per 30 day period.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 28.9 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2011.

It should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 100 kWh per 30-day period free of charge. In addition those residential customers that are not registered as indigent, but that consume less than 100 kWh per 30-day period will receive 50 kWh free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on domestic customers:

Electricity tariff	2011/12	2012/13	2013/14
<u>HOUSEHOLDS</u>			
Monthly basic charge	R107.00	R128.80	R128.80
Unit charge KWH	R 1.19	R 1.43	R 1.43
<u>Prepaid meter</u>			
Monthly basic charge 350units	R 0.21	R 0.25	R 0.25
Unit charge KWH	R 1.19	R 1.43	R 1.43
Deposit	R678.00	R678.00	R678.00
Re-connection fee	R298.00	R298.00	R298.00
Test of meter	R440.00	R440.00	R440.00
Tampering penalty	R952.00	R952.00	R952.00
<u>BUSINESSES</u>			
Monthly basic charge	R226.00	R272.00	R272.00
First 500 units	R 1.69	R 2.00	R 2.00
500 plus units	R 1.30	R 1.56	R 1.56
<u>Prepaid meter</u>			
Monthly basic charge 500units	R 0.30	R 0.36	R 0.36
Unit charge KWH	R 1.39	R 1.67	R 1.67
Deposit	R2,035.00	R2,035.00	R2,035.00
Re-connection fee	R678.00	R678.00	R678.00
Test of meter	R440.00	R440.00	R440.00
Tampering penalty	R2,380.00	R2,380.00	R2,380.00
<u>INDUSTRIAL</u>			
Monthly basic charge	R333.00	R400.86	R400.86
Cost per KVA	R190.40	R229.20	R229.20
First 500 units	R 1.11	R 1.34	R 1.34
500 plus units	R 0.86	R 1.04	R 1.04
Deposit	R2035.00	R2035.00	R2035.00
Re-connection fee	R678.00	R678.00	R678.00
Test of meter	R440.00	R440.00	R440.00
Tampering penalty	R2000.00	R2000.00	R2000.00

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

1.4.4 Sanitation and Impact of Tariff

The tariff on Sanitation has been proposed to remain the same as the 2010/11 from the 1st of July 2011. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (98 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R2 million for the 2011/12 financial year.

The following table compares the current and proposed tariffs:

Table 6 Comparison between current sanitation charges and 2011/12 Charges

Sanitation tariff	2011/12	2012/13	2013/14
Aqua-privy (per load)	R70.00	R70.00	R70.00
Enviro-loo (Cleansing/ Suction)	R60.00	R60.00	R60.00
Basic charge: Households	R68.42	R68.42	R68.42
Business & Industrial	R34.21	R34.21	R34.21
Communal Vacuum Tank (DPH)			
Buckets: Households	R49.12	R49.12	R49.12
Business & Industrial	R 9.65	R 9.65	R 9.65
Vacuum Tank:Household (Per 5kl)	R128.07	R128.07	R128.07
Business	R196.49	R196.49	R196.49
Industrial	R215.79	R215.79	R215.79

Notes:

(a) After-hours (Friday from 13H00, Public Holidays & Weekends) amount will be double.

(b) Vacuum tank will only be when the owner has paid upfront. If there is any over flooding the Municipality will then recover the cost plus penalty from the owner.

1.4.5 Refuse Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration.

Waste removal tariff has been proposed to remain the same from 1st of July 2011. Higher increases will not be viable in 2011/12 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2011:

Table 7 Comparison between current refuse removal fees and the 2011/12 rates

Refuse removal tariff	2011/12	2012/13	2013/14
Households	R66.67	R66.67	R66.67
Business	R151.75	R151.75	R151.75
Industrial	R122.81	R122.81	R122.81

Fines for:	2011/12	2012/13	2013/14
Unlawful dumping	R500.00	R500.00	R500.00
Removal	R750.00	R750.00	R750.00
Empty stands cleaned by municipality on behalf of the owner	R500.00	R500.00	R500.00

Other tariff items

Table 8 Comparison between current Caravan park fees and the 2011/12 rates

Description	2011/12	2012/13	2013/14
<u>DAY VISITOR</u>			
Bus	R76.00	R76.00	R76.00
Motor vehicle	R22.00	R22.00	R22.00
Boat	R22.00	R22.00	R22.00
Adults	R10.00	R10.00	R10.00
School children	R5.00	R5.00	R5.00
<u>MONTHLY TICKETS</u>			
Day visitor	R86.00	R86.00	R86.00
Boat owner	R151.00	R151.00	R151.00
<u>CHALETS</u>			
Monthly tariff	R1836.00	R1836.00	R1836.00
Service deposit	R572.00	R572.00	R572.00

Table 93 Comparison between current Town Planning fees and the 2011/12 rates

Description	2011/12	2012/13	2013/14
<u>BUILDING PLANS</u>			
Application for approval per m2	R3.46	R3.46	R3.46
Copy of building plan: A4	R8.32	R8.32	R8.32
A3	R16.85	R16.85	R16.85
Small additions to bld <40msq	R75.60	R75.60	R75.60
<u>RE-ZONING</u>			
Re-zoning application	R680.00	R680.00	R680.00
<u>DEVIATIONS</u>			
Erf smaller than 500msq	R130.00	R130.00	R130.00
Erf between 500 – 700msq	R205.00	R205.00	R205.00
Erf greater than 700msq	R270.00	R270.00	R270.00
<u>SUB-DIVISIONS</u>			
0 – 20 erven	R140.00	R140.00	R140.00
More than 20 erven	R194.00	R194.00	R194.00
<u>ERVEN PRICE PER MSQ</u>			
Residential zone 1	R21.60	R21.60	R21.60
Business zone 1,2,3	R32.40	R32.40	R32.40
Industrial zone	R2.70	R2.70	R2.70

Table 104 Availability charges for empty stands for water and electricity fees and the 2011/12 rates

Description	2011/12	2012/13	2013/14
Households	R54.00	R54.00	R54.00
Business	R194.00	R194.00	R194.00
Industrial	R389.00	R389.00	R389.00
Building clause	R43.00	R43.00	R43.00

Table 115 Public Buildings fees and the 2011/12 rates

Description	2011/12	2012/13	2013/14
<u>COMMUNITY HALLS HIRE</u>			
Key Deposit	R540.00	R540.00	R540.00
Disco Dance	R702.00	R702.00	R702.00
Concert/ Sport	R194.00	R194.00	R194.00
Weddings	R389.00	R389.00	R389.00
Kitchen	R508.00	R508.00	R508.00
Utensils	R583.00	R583.00	R583.00
Chair per chair	R2.00	R2.00	R2.00
Tables per table	R11.00	R11.00	R11.00
<u>MEETINGS</u>			
Local Organizations	R97.00	R97.00	R97.00
Outside Organizations	R97.00	R97.00	R97.00
Youth Organization (Entertainment)	R97.00	R97.00	R97.00
<u>CHURCH SERVICES</u>			
Local churches	R97.00	R97.00	R97.00
Outside churches	R194.00	R194.00	R194.00

Notes:

- (a) Chairs & Tables will be available for free for funerals. Should they be damaged, the replacement value shall be recouped from the hirer.
- (b) In all other cases the chairs & tables are hired at normal tariff. Should they be damaged, the replacement value shall be recouped from the hirer.

1.4.6 Overall impact of tariff increases on households

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 5 and 8 per cent, this is due to the high unemployment rate and poverty rate in the residents of Dikgatlong Municipality.

Table 12 MBRR Table SA14 – Household bills

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12 % incr.	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Rand/cent										
Monthly Account for Household - 'Large'										
Household										
Rates and services charges:										
Property rates	415.93	445.05	340.00	384.20	384.20		10.0%	422.62	464.88	511.37
Electricity: Basic levy	–	–	–	–	–		–	–	–	–
Electricity: Consumption	389.24	434.30	555.50	742.00	742.00		15.3%	855.75	986.94	1,138.23
Water: Basic levy	–	–	–	–	–		–	–	–	–
Water: Consumption	147.55	187.80	202.80	229.14	229.14		10.0%	252.05	277.26	304.98
Sanitation	66.59	83.24	89.33	101.72	101.72		11.0%	112.91	125.33	139.12
Refuse removal	52.15	55.80	64.13	75.02	75.02		9.0%	81.77	89.13	97.15
Other	–	–	–	–	–		–	–	–	–
sub-total	1,071.46	1,206.19	1,251.76	1,532.08	1,532.08	–	12.6%	1,725.10	1,943.53	2,190.85
VAT on Services	91.77	106.56	127.65	160.70	160.70			182.35	207.01	235.13
Total large household bill:	1,163.23	1,312.75	1,379.41	1,692.78	1,692.78	–	12.7%	1,907.45	2,150.54	2,425.98
% increase/-decrease		12.9%	5.1%	22.7%	22.7%	(100.0%)		12.7%	12.7%	12.8%
Monthly Account for Household - 'Small'										
Household										
Rates and services charges:										
Property rates	–	–	195.00	210.60	210.60		10.0%	231.66	254.83	280.31
Electricity: Basic levy	–	–	–	–	–		–	–	–	–
Electricity: Consumption	183.56	216.28	276.64	369.52	369.52		15.3%	426.17	491.50	566.85
Water: Basic levy	–	–	–	–	–		–	–	–	–
Water: Consumption	115.22	144.50	156.05	176.29	176.29		10.0%	193.92	213.31	234.64
Sanitation	56.18	71.79	77.35	87.63	87.63		11.0%	97.27	107.97	119.85
Refuse removal	18.40	19.69	22.71	26.57	26.57		9.0%	28.96	31.57	34.41
Other	–	–	–	–	–		–	–	–	–
sub-total	373.36	452.26	727.75	870.61	870.61		12.3%	977.98	1,099.18	1,236.05
VAT on Services	52.27	63.32	74.59	92.40	92.40			104.48	118.21	133.80
Total small household bill:	425.63	515.58	802.34	963.01	963.01		12.4%	1,082.46	1,217.38	1,369.86
% increase/-decrease		21.1%	55.6%	20.0%	20.0%			12.4%	12.5%	12.5%
Monthly Account for Household - 'Small'										
Household receiving free basic services										
Rates and services charges:										
Property rates	–	–	–	–	–		10.0%	–	–	–
Electricity: Basic levy	–	–	–	–	–		–	–	–	–
Electricity: Consumption	20.49	26.06	33.33	44.52	44.52		15.3%	51.34	59.21	68.29
Water: Basic levy	–	–	–	–	–		–	–	–	–
Water: Consumption	32.64	21.00	22.68	25.62	25.62		10.0%	28.18	31.00	34.10
Sanitation	23.52	14.94	16.11	18.23	18.23		11.0%	20.24	22.47	24.94
Refuse removal	18.40	19.69	22.71	26.57	26.57		9.0%	28.96	31.57	34.41
Other	–	–	–	–	–		–	–	–	–
sub-total	95.05	81.69	94.83	114.94	114.94	–	12.0%	128.72	144.24	161.73
VAT on Services	13.31	11.44	13.28	16.09	16.09			18.02	20.19	22.64
Total small household bill:	108.36	93.13	108.11	131.03	131.03	–	12.0%	146.74	164.44	184.38
% increase/-decrease		(14.1%)	16.1%	21.2%	21.2%			12.0%	12.1%	12.1%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- The need to improve our asset and to repair and maintain the existing assets;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

Table 13 Summary of operating expenditure by standard classification item

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Expenditure By Type									
Employee related costs	16,184	15,104	19,064	20,494	20,494	20,494	26,313	31,828	32,485
Remuneration of councillors		2,376	2,893	3,923	3,923	3,923	3,923	4,217	4,533
Debt impairment			28,141	7,081	7,801	7,081	4,846	4,001	2,400
Depreciation & asset impairment									
Finance charges		218	173	150	150	150	140	119	48
Bulk purchases	13,487	12,732	20,192	18,000	18,000	18,000	21,040	22,618	26,447
Other materials									
Contracted services			2,283	3,790	3,790	3,790	3,190	2,996	2,826
Transfers and grants			229	16,173	16,173	16,173	16,569	17,812	19,148
Other expenditure	21,224	17,751	4,510	12,187	12,187	12,187	13,102	15,424	17,042
Loss on disposal of PPE				-	-	-	-	-	-
Total Expenditure	50,896	48,181	77,798	81,798	81,798	81,798	92,123	99,015	104,930

The budgeted allocation for employee related costs for the 2011/12 financial year totals R26 million. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7% for the 2011/12 financial year. As part of the Municipal cost reprioritization and cash management strategy vacancies have been significantly filled. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of R5 million in the 2011/12 financial year relating to critical and strategically important vacancies. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The settlement reached by the SALGBC parties in the salary dispute resulted in a further financial implication on this area of expenditure. A preliminary amount of R26 million has been included in the 2011/12 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalised.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality budget.

The provision of debt impairment was determined based on an annual collection rate of 45 per cent and the Debt Write-off Policy of the Municipality. For the 2011/12 financial year this amount equates to R4,846 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5 per cent for 2011/12 and curbed at 6.2 and 5.9 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

The following table gives a breakdown of the main expenditure categories for the 2011/12 financial year.

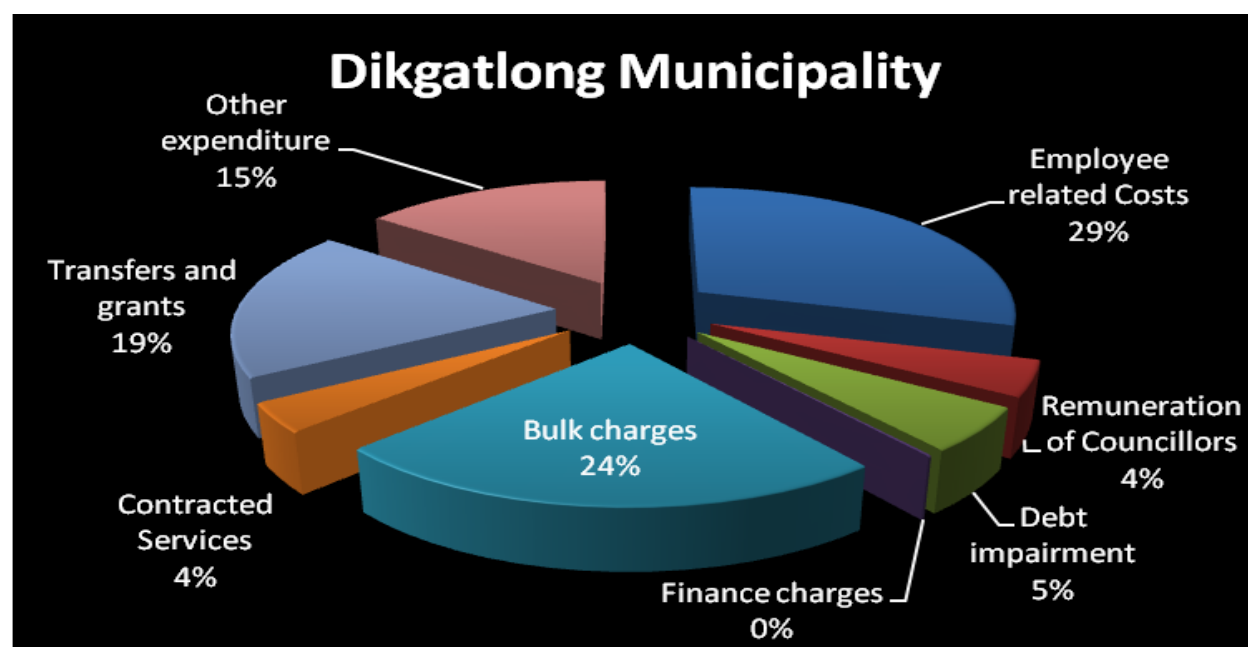


Figure 1 Main operational expenditure categories for the 2011/12 financial year**1.5.1 Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2011/12 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality Indigent Policy. The target is to register 2 600 or more indigent households during the 2011/12 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

Table A3 of the MBRR Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description		2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue by Vote	1									
Vote1 - Council and Executive		20,457	25,499	29,344	–	–	–	–	–	–
Vote3 - Corporate Services		3,620	2,725	13,528	–	–	–	–	–	–
Vote4 - Finance Services		–	–	–	61,798	61,798	61,798	61,798	66,433	71,415
Vote5 - Technical Services		18,559	18,133	33,270	20,000	20,000	20,000	20,000	21,500	23,113
Total Revenue by Vote	2	42,635	46,357	76,141	81,798	81,798	81,798	81,798	87,933	94,528
Expenditure by Vote to be appropriated	1									
Vote1 - Council and Executive		15,298	10,393	31,103	5,127	5,127	5,127	5,579	5,997	6,447
Vote2 - Municipal Manager		–	–	–	1,088	1,088	1,088	1,118	1,201	1,292
Vote3 - Corporate Services		11,857	12,746	6,997	2,869	2,869	2,869	4,478	4,814	5,175
Vote4 - Finance Services		–	–	–	40,061	40,061	40,061	40,236	43,253	46,497
Vote5 - Technical Services		23,740	25,043	39,385	32,654	32,654	32,654	37,092	39,873	42,864
Total Expenditure by Vote	2	50,896	48,181	77,485	81,798	81,798	81,798	88,501	95,139	102,274
Surplus/(Deficit) for the year	2	(8,260)	(1,824)	(1,344)	–	–	–	(6,704)	(7,206)	(7,747)

Table 14 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source									
Property rates	3,662	4,303	7,424	2,000	7,000	7,000	7,500	8,063	8,627
Service charges - electricity revenue	7,211	6,191	15,940	12,000	12,000	12,000	15,440	16,598	17,843
Service charges - water revenue	6,089	5,532	8,390	5,000	5,000	5,000	5,500	5,913	6,326
Service charges - sanitation revenue	1,610	1,935	1,828	2,000	2,000	2,000	2,500	2,688	2,876
Service charges - refuse revenue	3,092	3,730	4,496	1,000	1,000	1,000	1,500	1,613	1,725
Service charges - other				300	300	300	300	323	347
Rental of facilities and equipment	217		247	220	220	220	220	236	254
Interest earned - external investments		259	3	150	150	150	150	161	173
Interest earned - outstanding debtors	1,856	2,409	5,846	1,400	1,400	1,400	1,400	1,505	1,618
Fines	–			102	102	102	102	110	118
Licences and permits	183	215	101					–	–
Transfers recognised - operational	16,792	21,194	31,774	42,023	42,023	42,023	42,576	45,769	49,202
Other revenue	1,924	590	93	170	170	170	185	199	202
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	42,635	46,357	76,141	66,365	71,365	71,365	77,373	83,176	89,311
Expenditure By Type									
Employee related costs	16,184	15,104	19,064	20,494	20,494	20,494	26,213	28,496	32,485
Remuneration of councillors		2,376	2,893	3,923	3,923	3,923	3,923	4,217	4,533
Finance charges		218	173	150	150	150	140	119	48
Bulk purchases	13,487	12,732	20,192	18,000	18,000	18,000	21,040	22,618	26,447
Contracted services	–	–	2,283	3,790	3,790	3,790	3,190	2,996	2,826
Transfers and grants			229	16,173	16,173	16,173	16,569	17,812	19,148
Other expenditure	21,224	17,751	4,510	12,187	12,187	12,187	13,102	15,424	17,042
Total Expenditure	50,896	48,181	77,485	81,798	81,798	81,798	89,023	95,682	104,930
Surplus/(Deficit)	(8,260)	(1,824)	(1,344)	(15,433)	(10,433)	(10,433)	(11,650)	(12,507)	(15,619)
Transfers recognised - capital				15,433	15,433	15,433	19,750	21,231	22,824
Surplus/(Deficit) after capital transfers & contributions	(8,260)	(1,824)	(1,344)	–	5,000	5,000	8,100	8,725	7,205
Taxation									
Surplus/(Deficit) after taxation	(8,260)	(1,824)	(1,344)	–	5,000	5,000	8,100	8,725	7,205
Surplus/(Deficit) attributable to municipality	(8,260)	(1,824)	(1,344)	–	5,000	5,000	8,100	8,725	7,205
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	(8,260)	(1,824)	(1,344)	–	5,000	5,000	8,100	8,725	7,205

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R77.373 million in 2011/12 and escalates to R89.311 million by 2013/14. This represents a year-on-year increase of 11.5 per cent for the 2012/13 financial year and 12.5 per cent for the 2013/14 financial year.
2. Revenue to be generated from property rates is R7.5 million in the 2011/12 financial year and increases to R8.627 million by 2013/14 which represents 19.9 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 10 per cent, 9 per cent and 9 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality. For the 2011/12 financial year services charges amount to 56 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 11.6 per cent and 8.9 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
5. The following graph illustrates the major revenue items per type.

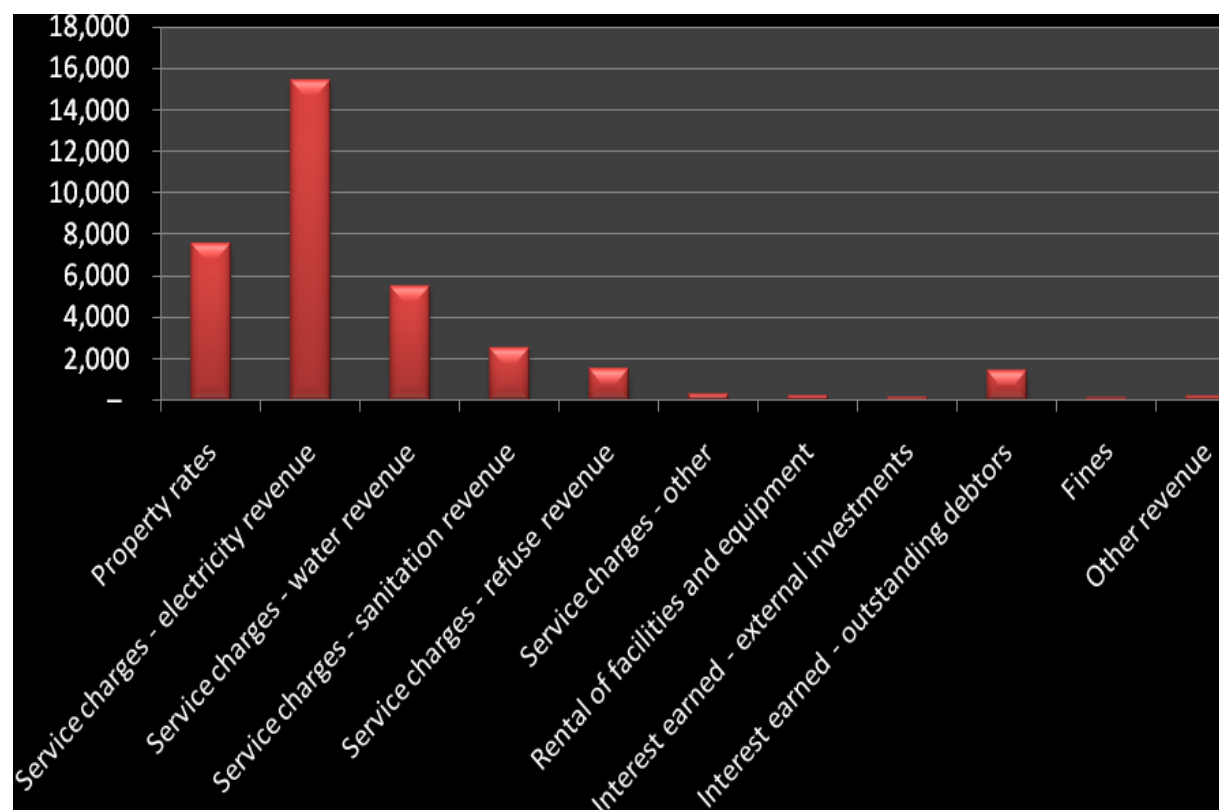


Table MBRR Table A6 - Budgeted Financial Position

Description	R ef	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
ASSETS											
Current assets											
Cash											
Call investment deposits	1	2,156	2,186	2,186	2,568	2,568	2,568	2,568	–	–	–
Consumer debtors	1	18,617	23,880	17,478	17,478	17,478	17,478	17,478	–	–	–
Other debtors			–	222	222	222	222	222	239	257	276
Current portion of long-term receivables											
Inventory	2										
Total current assets		20,773	26,066	19,886	20,268	20,268	20,268	20,268	239	257	276
Non current assets											
Long-term receivables											
Investments		652	1,182	1,182	1,548	1,548	1,548	1,548	1,664	1,789	1,923
Investment property											
Property, plant and equipment	3	5,467	6,024	17,566	32,566	32,566	32,566	32,566	–	–	–
Agricultural											
Total non current assets		6,119	7,206	18,748	34,114	34,114	34,114	34,114	1,664	1,789	1,923
TOTAL ASSETS		26,892	33,271	38,634	54,382	54,382	54,382	54,382	1,903	2,046	2,199
LIABILITIES											
Current liabilities											
Bank overdraft	1	2,614	4,457	7,487							
Borrowing	4	–	922	800	846	846	846	846	–	–	–
Consumer deposits		243	242	242	288	288	288	288	309	332	357
Trade and other payables	4	37,873	42,873	54,995	44,477	44,477	44,477	44,477	–	–	–
Provisions		558	762	1,102	7,586	7,586	7,586	7,586	8,155	8,767	9,424
Total current liabilities		41,287	49,256	64,626	53,197	53,197	53,197	53,197	8,464	9,099	9,781
Non current liabilities											
Borrowing		3,381	3,301	2,545	1,185	1,185	1,185	1,185	–	–	–
Provisions		1,429	–	–	–	–	–	–	–	–	–
Total non current liabilities		4,810	3,301	2,545	1,185	1,185	1,185	1,185	–	–	–
TOTAL LIABILITIES		46,097	52,557	67,170	54,382	54,382	54,382	54,382	8,464	9,099	9,781
NET ASSETS	5	(19,205)	(19,285)	(28,537)	–	–	–	–	(6,561)	(7,053)	(7,582)
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		(26,838)	(27,193)	(28,537)							
Reserves	4	–	7,908	–	–	–	–	–	–	–	–
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	(26,838)	(19,285)	(28,537)	–	–	–	–	–	–	–

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 15 MBRR Table A7 - Budgeted Cash Flow Statement

Description R thousand	R ef	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audite d Outco me	Audited Outco me	Audited Outco me	Origina l Budget	Adjuste d Budget	Full Year Foreca st	Pre- audit outcom e	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		17,991	25,586	70,036	23,102	23,102	23,102	23,102	24,834	26,697	28,699
Government - operating	1	16,792			42,023	42,023	42,023	42,023	45,175	48,563	52,205
Government - capital	1				15,433	15,433	15,433	15,433	16,590	17,835	19,172
Interest		1,856		3	1,550	1,550	1,550	1,550	1,666	1,791	1,926
Dividends											
Payments											
Suppliers and employees		49,093		(56,427)	(59,444)	(59,444)	(59,444)	(59,444)	(63,903)	(68,695)	(73,847)
Finance charges			(1,158)	(173)	(150)	(150)	(150)	(150)	(161)	(173)	(186)
Transfers and Grants	1				(7,081)	(7,081)	(7,081)	(7,081)	(7,612)	(8,183)	(8,797)
NET CASH FROM/(USED) OPERATING ACTIVITIES		85,732	24,428	13,438	15,433	15,433	15,433	15,433	16,590	17,834	19,172
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE											
Decrease (Incurrent debtors			0	541							
Decrease (increase)			2,840								
Decrease (increase)			(2,667)								
Payments											
Capital assets			(15,016)	(11,771)	(15,433)	(15,433)	(15,433)	(15,433)	(16,590)	(17,835)	(19,172)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(14,843)	(11,230)	(15,433)	(15,433)	(15,433)	(15,433)	(16,590)	(17,835)	(19,172)

Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Cash and investments available											
Cash/cash equivalents at the year end	1	83,118	89,824	86,794	(0)	(0)	(0)	(0)	(1)	(1)	(2)
Other current investments > 90 days		(83,576)	(92,095)	(92,095)	2,569	2,569	2,569	2,569	1	1	2
Non current assets - Investments	1	652	1,182	1,182	1,548	1,548	1,548	1,548	1,664	1,789	1,923
Cash and investments available:		194	(1,089)	(4,119)	4,116	4,116	4,116	4,116	1,664	1,789	1,923
Application of cash and investments											
Unspent conditional transfers		-	3,500	4,041	-	-	-	-	-	-	-
Unspent borrowing											
Statutory requirements	2				4,073	4,073	4,073	4,073	4,126	5,488	658
Other working capital requirements	3	25,144	20,862	25,554	26,540	29,727	29,727	29,727	(239)	(257)	(276)
Other provisions					7,081	7,081	7,081	7,081			
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		25,144	24,361	29,595	37,694	40,881	40,881	40,881	3,887	5,231	382
Surplus(shortfall)		(24,949)	(25,450)	(33,713)	(33,578)	(36,765)	(36,765)	(36,765)	(2,223)	(3,442)	1,541

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality fell significantly over the 2007/08 to 2009/10 period owing directly to a net decrease in cash for the 2008/09 financial year.
4. As part of the 2010/11 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was not funded owing to the significant deficit.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2011/12 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Part 2 – Supporting Documentation

1.6 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

1.6.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2010. Key dates applicable to the process were:

- **August 2010** – Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2011/12 MTREF;
- **November 2010** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 15 January 2011** - Review of the financial strategy and key economic and financial planning assumptions. This included financial forecasting and scenario considerations;
- **January 2011** – Multi-year budget proposals are submitted to the Mayoral and Council for endorsement;
- **January 2011** - Council considers the 2010/11 Mid-year Review and Adjustments Budget;
- **25 March 2011** - Tabling in Council of the draft 2011/12 IDP and 2011/12 MTREF for public consultation;
- **April 2011** – Public consultation;
- **25 April 2011** - Closing date for written comments;
- **04 May 2011** - Tabling of the 2011/12 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

1.6.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2006. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2011/12 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2011/12 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.6.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2011/12 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2011/12 MTREF:

- Dikgatlong Municipality's growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases and household debt)
- Performance trends
- The approved 2010/11 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

1.6.4 Community Consultation

The draft 2011/12 MTREF as tabled before Council on 25 March 2011 for community consultation was published, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

Ward Committees were utilised to facilitate the community consultation process from 13 to 29 April 2011, and included nine public briefing sessions. The applicable dates and venues were published and on average attendance of 100 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2011/12 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Issues were raised regarding the over payment of workers during the 2010/11 financial year;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the final 2011/12 MTREF compared to the draft 2011/12 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2011, was factored into the proposed consumer tariffs, applicable from 1 July 2011.

- The 2011 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations; and
- Funding was allocated to address metering discrepancies and unmetered premises.

1.7 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the resident of Dikgatlong, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that Dikgatlong strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;

- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 17 IDP Strategic Objectives

PRIORITY ISSUES 2010/2011	PRIORITY ISSUES 2011/2012
1. Water	1. Water & Land
2. Housing & Land	2. Sanitation
3. Sanitation	3. Electricity & Lights
4. Electricity & Lights	4. Housing & Human settlements
5. Storm water Drainage & Roads	5. Storm water Drainage & Roads
6. LED (Special Projects)	6. Waste Management
7. Health & Welfare	7. Institutional Development
8. Sport, Recreation & Youth Development	8. Communication
9. Safety & Security	9. Cemeteries
10. Education & Training	10. Disaster Management
11. Waste Management	11. LED (Special Programmes)
12. Communication	12. Health & Welfare
13. Cemeteries	13. Sport, Recreation
14. Disaster Management	14. Safety & Security
15. Institutional Development	15. Education & Training

In order to ensure integrated and focused service delivery between all spheres of government it was important for Dikgatlong to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;

- Provide roads and storm water;
 - Provide public transport;
 - Provide the Municipality's planning services; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
- Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
 - Working with the provincial department;
 - Extending waste removal services and ensuring effective municipal cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on newspapers
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Dikgatlong Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial

programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the residents of Dikgatlong, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole;
- and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2011/12 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 18 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										
Provide quality basic services and infrastructure	Provision of electricity; water; sanitation; waste removal; housing; roads and storm water; public transport; city planning services; and maintaining the infrastructure of the Municipality.	1,403	1,011	2,030	2,817	2,473	2,473	3,754	4,065	4,511
Economic growth and development that leads to sustainable job creation	Ensuring there is a clear structural plan; ensuring planning processes function in accordance with set timeframes and facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.	179	214	250	289	309	309	406	424	462
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for empowered and sustainable communities	Effective implementation of the Indigent Policy; working with the provincial department of health to provide primary health care services; extending waste removal services and ensuring effective cleansing; ensuring all waste water treatment works are operating optimally; working with strategic partners such as SAPS to address crime; ensuring safe working environments by effective enforcement of building and health regulations; promote viable, sustainable communities through proper zoning; and promote environmental sustainability by protecting wetlands and key open spaces.	1264	1 437	1 357	1485	2 457	2 457	2660	2707	3138
Foster Participatory democracy and through caring, accessible and accountable service	Optimising effective community participation in the ward committee system; and the implementation in the revenue management strategy	119	586	690	504	987	987	687	744	994
Promote sound governance, financial sustainability and optimal institutional transformation	Publishing the outcomes of all tender processes on the municipal website; reviewing the use of contracted services; continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan; and review of the organizational structure to optimize the use of personnel									
Total Revenue (excluding capital transfers and contributions)		2, 965	3,248	4,327	5,095	6, 226	6, 226	7, 507	7,940	9,105

Table 19 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										
Provide quality basic services and infrastructure	Provision of electricity; water; sanitation; waste removal; housing; roads and storm water; public transport; city planning services; and maintaining the infrastructure of the Dikgatlong Municipality	7, 137	9, 470	8, 632	7, 297	8, 575	8, 575	1, 057	2, 586	2, 880
Economic growth and development that leads to sustainable job creation	Ensuring there is a clear structural plan for the Municipality; ensuring planning processes function in accordance with set timeframes and facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.	4,112	2,732	3, 419	4,036	2, 677	2, 677	1, 700	1, 747	1, 876
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for empowered and sustainable communities	Effective implementation of the Indigent Policy; working with the provincial department of health to provide primary health care services; extending waste removal services and ensuring effective city cleansing; ensuring all waste water treatment works are operating optimally; working with strategic partners such as SAPS to address crime; ensuring save working environments by effective enforcement of building and health regulations; promote viable, sustainable communities through proper zoning; and promote environmental sustainability by protecting wetlands and key open spaces.	2, 645	4, 519	6, 398	7, 040	7, 357	7, 357	9,521	9, 918	10,038
Foster Participatory democracy and Batho Pele through caring, accessible and accountable service	Optimising effective community participation in the ward committee system; and the implementation Batho Pele in the revenue management strategy	637	234	152	771	830	830	599	240	644
Promote sound governance, financial sustainability and optimal institutional transformation	Publishing the outcomes of all tender processes on the municipal website; reviewing the use of contracted services; continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan; and review of the organizational structure to optimize the use of personnel	269	306	392	582	171	171	268	276	227
		14, 800	17, 261	18, 993	19, 726	19, 610	19, 610	13, 145	14, 767	15, 665

Table 20 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										
Provide quality basic services and infrastructure	Provision of electricity, water, sanitation, waste removal, housing, roads and storm water, public transport, town planning services; and maintaining the infrastructure of the Dikgatlong Municipality.	7,303	1,297	8,618	9,597	8,699	8,699	8,711	8,322	9,888
Economic growth and development that leads to sustainable job creation	Ensuring there is a clear structural plan for the Municipality; ensuring planning processes function in accordance with set timeframes and facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.	587	628	579	434	327	327	454	274	522
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for empowered and sustainable communities	Effective implementation of the Indigent Policy; working with the provincial department of health to provide primary health care services; extending waste removal services and ensuring effective city cleansing; ensuring all waste water treatment works are operating optimally; working with strategic partners such as SAPS to address crime; ensuring safe working environments by effective enforcement of building and health regulations; promote viable, sustainable communities through proper zoning; and promote environmental sustainability by protecting wetlands and key open spaces.	559	604	668	729	639	639	588	837	692
Foster Participatory democracy and Batho Pele through caring, accessible and accountable service	Optimising effective community participation in the ward committee system; and the implementation Batho Pele in the revenue management strategy	-	-	-	-	-	-	-	-	-
Promote sound governance, financial sustainability and optimal institutional transformation	Publishing the outcomes of all tender processes on the municipal website; reviewing the use of contracted services; continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan; and review of the organizational structure to optimize the use of personnel	-	-	-	-	-	-	-	-	-
		8,449	2,529	9,865	10,760	9,665	9,665	9,753	9,433	11,102

1.8 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

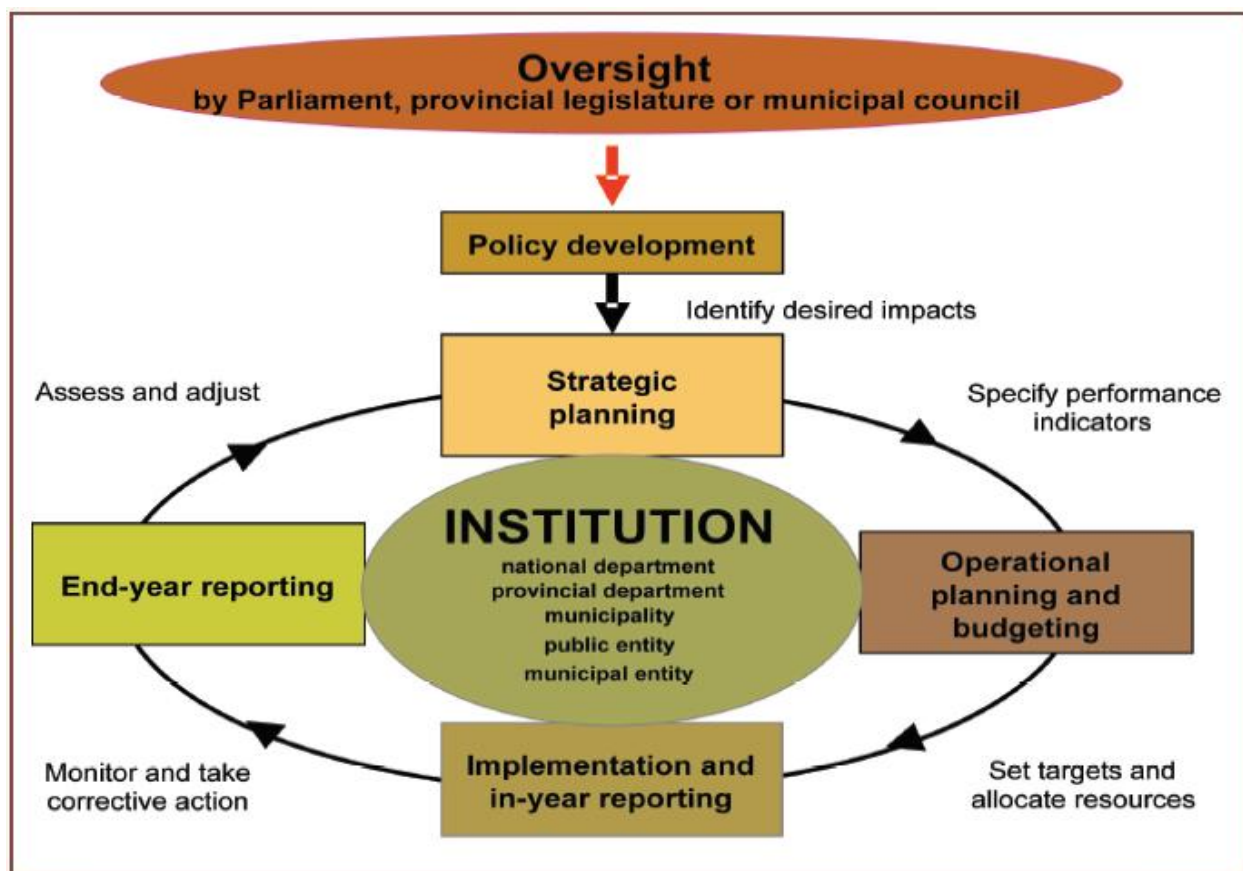


Figure 2 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. Dikgatlong Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

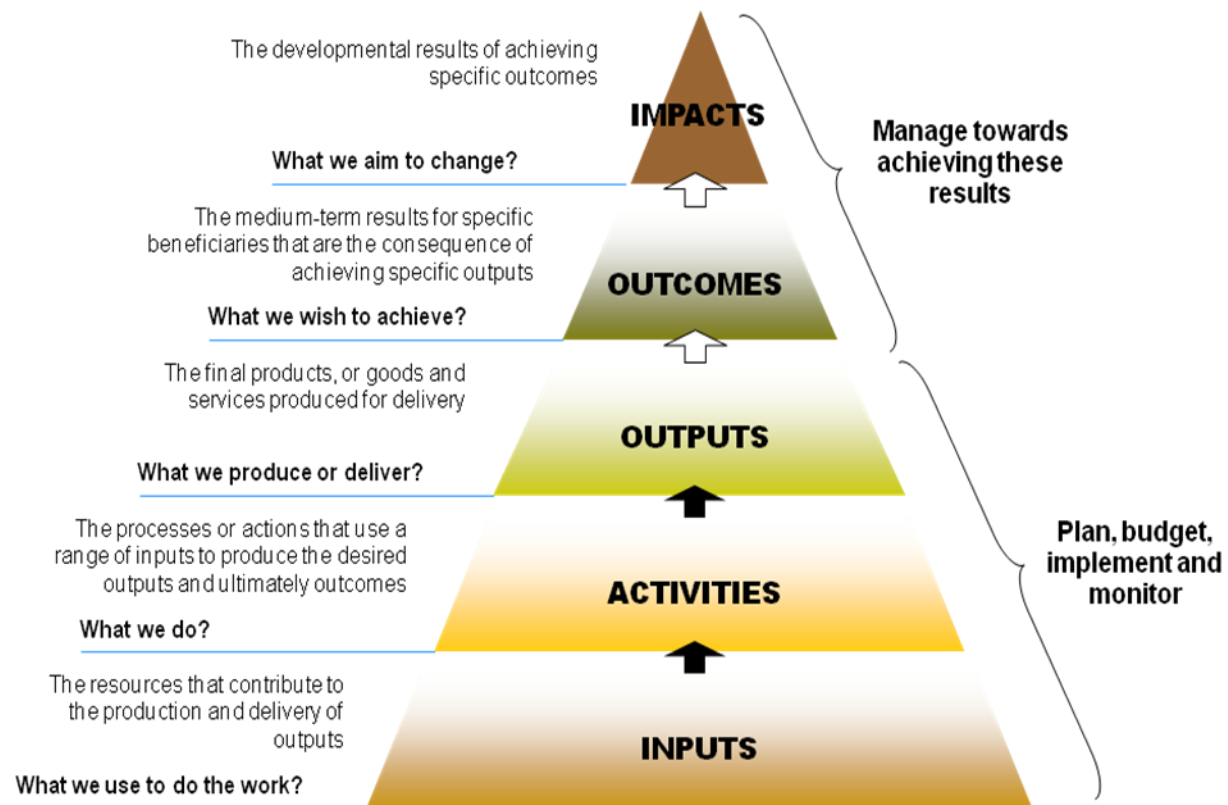


Figure 3 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 21 MBRR Table SA7 - Measurable performance objectives

Description	Unit of measurement	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Public Works: Roads and Stormwater										
Function - Roads										
Sub-function - Eradication of Backlogs										
<i>Reduce roads backlogs</i>	Kilometer	40	71	70	78	65	65	79	87	88
Sub-function - Roads Maintained										
<i>Surfaced roads resurfaced/rehabilitated</i>	Kilometer	57	46	24	32	45	45	52	41	47
Sub-function - Roads for growth										
<i>New roads to be constructed</i>	Kilometer	38	50	30	17	16	16	35	30	23
Function - Stormwater										
Sub-function - Reduction of backlog										
<i>Stormwater drainage to reduce backlogs</i>	Kilometer									
Sub-function - Stormwater for growth										
<i>Stormwater drainage to stimulate growth</i>	Kilometer									
Public Works: Water and Sanitation										
Function - Water										
Sub-function - Eradication of water backlogs										
<i>Households provided with a water connection</i>	Number	242	368	335	400	289	289	400	450	550
<i>New bulk water pipelines</i>	Meters	200	135	235	500	532	532	500	500	520
<i>New internal water pipelines</i>	Meters	62	124	213	300	292	292	550	640	620
Sub-function - Maintenance of water infrastructure										
<i>Upgrade & replace of bulk water pipelines</i>	Meters	235	119	232	450	389	389	315	400	590
<i>Upgrade & replace of internal water pipelines</i>	Meters	419	362	745	245	389	389	520	580	400
Function - Sanitation										
Sub-function - Eradication of sanitation backlog										
<i>Households provided with a sanitation connection</i>	Number	1,473	1,217	1,385	2,000	1,852	1,820	1,500	1,500	1,500
<i>New bulk sewer pipelines</i>	Meters	1,125	1,089	1,645	2,500	1,980	1,980	2,000	2,500	2,500
<i>New internal sewer pipelines</i>	Meters	3,134	3,259	3,568	6,800	4,850	4,850	5,000	5,200	5,500
Sub-function - Maintenance of sanitation infrastructure										
<i>Upgrade & replace of bulk sewer pipelines</i>	Meters	1,851	1,597	1,325	1,500	2,345	2,345	2,400	2,500	2,500
<i>Upgrade & replace of internal sewer pipelines</i>	Meters	841	725	658	500	520	520	950	980	1,000
Public Works: Energy and Electricity										
Function - Electricity										
Sub-function - Provide higher levels of electricity										
<i>Houses electrified to eradicate backlogs</i>	Households	812	911	987	1,235	2,140	2,140	4,500	5,000	5,500
Sub-function - New Connections										
<i>Completed and occupied houses electrified to cater for growth</i>	Households	523	562	602	750	723	723	600	750	850
Sub-function - Access to alternative energy sources										
<i>Areas provided with access to alternative energy sources</i>	Households	-	70	78	1,500	1,235	1,235	1,500	1,800	2,000
Sub-function - Provide public lighting										
<i>New street lights as per ward</i>	Wards	1,235	1,655	1,689	1,750	1,563	1,563	2,000	2,200	2,300
Sub-function - Provide public lighting										
<i>High masts lights per ward</i>	Wards	13	18	19	25	23	23	25	25	25
Sub-function - Maintain electricity infrastructure										
<i>Electricity repairs and maintenance</i>	% Repaired	11.0%	10.5%	10.2%	14.0%	10.8%	10.8%	11.5%	12.0%	12.5%

The following table sets out the municipalities main performance objectives and benchmarks for the 2011/12 MTREF.

Table 22 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2007/8	2008/9	2009/10	Current Year 2010/11		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
<u>Borrowing Management</u>							
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	12.6%	9.9%	6.6%	2.2%	2.2%	2.2%
Credit Rating							
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.5%	0.2%	0.2%	0.2%	0.2%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>							
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	-171.8%	-272.5%	-235.4%	0.0%	0.0%	0.0%
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	41.7%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>							
Current Ratio	Current assets/current liabilities	0.5	0.5	0.3	0.4	0.4	0.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.5	0.5	0.3	0.4	0.4	0.4
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.0	0.0	0.0	0.0	0.0
<u>Revenue Management</u>							
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		75.0%	126.4%	183.2%	183.2%	183.2%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	43.7%	51.5%	23.2%	26.7%	22.9%	22.9%
Employee costs	Employee costs/(Total Revenue - capital revenue)	38.0%	32.6%	25.0%	30.9%	26.5%	26.5%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	43.8%	41.6%	32.3%	45.4%	31.7%	31.7%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.5%	0.2%	0.2%	0.2%	0.2%
<u>IDP regulation financial viability indicators</u>	-						
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	-	9,942.3	28.6	15.7	15.7	15.7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	85.1%	110.1%	46.2%	78.6%	52.8%	52.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	33.6	35.4	14.3	(0.0)	(0.0)	(0.0)

1.8.1 Performance indicators and benchmarks

1.8.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. As with all other municipalities, Dikgatlong Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Dikgatlong debt portfolio is dominated by two annuity loans. The following financial performance indicators have formed part of the compilation of the 2011/12 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 22.1 per cent to 18.5 per cent in 2013/14, it needs to be noted that the increased capital grants and transfers has contributed to the decrease and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 7 per cent in 2007/08 to 8.2 per cent in 2010/11. This increase can be attributed to the raising of loans to fund portions of the capital programme. It is estimated that the cost of borrowing as a percentage of the operating expenditure will reach 9.7 per cent in 2011/12 and will then decrease to 8.8 per cent at the end of the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing.
- The Municipal debt profile provides some interesting insights on the Municipal future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

Dikgatlong Municipality has raised mainly amortising loans over the past four years, hence effectively 'front-loading' its debt service costs. This is reflected in the Municipal debt service profile, which predicts large debt service costs between 2012 and 2014.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipal to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

1.8.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and

reserves. During the 2009/10 financial year the ratio deteriorated to a level 107.5 per cent. As part of the planning guidelines that informed the compilation of the 2011/12 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability objective, hence the steady decrease from 91.1 per cent in the 2011/12 financial year to 79.2 per cent in 2013/14.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2007/08 and 2010/11 the gearing ratio peaked at 55.7 per cent. This was primarily a result of the increased borrowing levels and decreasing funds and reserves. While the gearing ratio increases to 61.2 per cent in the 2011/12 financial year, the medium term strategy is to steadily reduce the gearing ratio to a level that does not exceed 50 per cent as a prudential limit, hence, over the 2011/12 MTREF the ratio decreases to 54 per cent by 2013/14.

1.8.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the City has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2011/12 MTREF the current ratio is 1.2 in the 2011/12 financial year and 1.1 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2010/11 financial year the ratio was 0.2 and as part of the financial planning strategy it has been increased to 0.3 in the 2011/12 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the City. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

1.8.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

1.8.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 70 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality business.

1.8.1.6 Other Indicators

- The electricity distribution losses have been managed downwards from 12 per cent in the 2010/11 financial year to 10 per cent over the MTREF.
- The water distribution losses have been significantly reduced from 27.6 per cent in 2009/10 to 20 per cent in 2010/11. We intend to roll out water leakage stoppers to ensure speedy services are paid timeously.
- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Dikgatlong Municipality's strategy to ensure the management of its asset base.

1.8.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2011/12 financial year 2 600 registered indigents have been provided for in the budget with this figured increasing to 3 000 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ free water, 50 kwh of electricity, 6 kℓ sanitation and free waste removal equivalent to 85ℓ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

1.8.3 Providing clean water and managing waste water

Dikgatlong Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Approximately 61 per cent of the Municipality's bulk water needs are provided directly by Sedibeng and Vaalharts in the form of purified water.

The following is briefly the main challenges facing the Municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and especially for operational personnel;
- The Electricity Division is to install dedicated power supply lines to the plants;

1.9 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.9.1 Review of credit control and debt collection procedures/policies

While there exist no new credit policy, the adopted policy of 2008 is still credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2011/12 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 55 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipal cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

1.9.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipal revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.9.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

1.9.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in November 2010. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

1.9.5 Budget Policy

The Budget Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality system of delegations. The Budget Policy has been drafted and is awaiting for Council approve on the 16 June 2011 in respect of both Operating and Capital Budget Fund Transfers.

1.9.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

1.10 Overview of budget assumptions

1.10.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 will be 2.3 per cent rising to 3.6 per cent by 2012.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.10.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2011/12 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 27.7 per cent of total operating expenditure in the 2011/12 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

1.10.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2011/12 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

1.10.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (45 per cent) of annual billings. Cash flow is assumed to be 50 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.10.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.10.6 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Year three is an across the board increase of 8.54 per cent.

1.10.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.10.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2011/12 MTREF of which performance has been factored into the cash flow budget.

1.11 Overview of budget funding

1.11.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 23 Breakdown of the operating revenue over the medium-term

Description R thousands	2011/12 Medium Term Revenue & Expenditure Framework					
	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Property rates	7,500	20%	8,063	20%	8,627	20%
Service charges	25,240	56%	27,135	58%	29,117	59%
Investment revenue	120,080	1%	64,139	0%	71,375	0%
Transfers recognised - operational	42,576	7%	45,769	7%	49,202	6%
Other own revenue	185	16%	199	15%	222	14%
Total Operating Revenue (excluding capital transfers and contributions)	77,373	100%	83,176	100%	89,311	100%
Total Operating Expenditure	92,123		99,015		104,930	
Surplus/(Deficit)	(14,750)		(15,839)		(15,619)	

The following graph is a breakdown of the operational revenue per main category for the 2011/12 financial year.

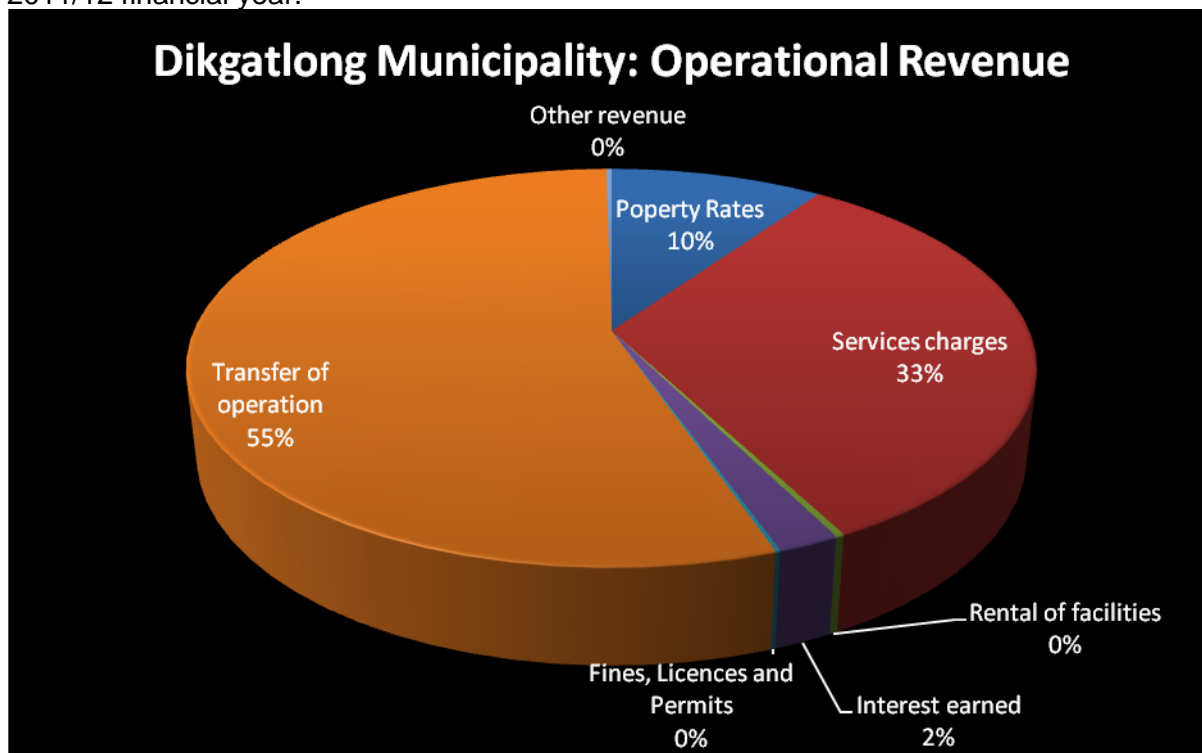


Figure 4 Breakdown of operating revenue over the 2011/12 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the area of Dikgatlong and economic development;
- Revenue management and enhancement;
- Achievement of a 55 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2011/12 MTREF on the different revenue categories are:

Table 24 Proposed tariff increases over the medium-term

Revenue category	2011/12 proposed tariff increase	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2011/11 additional revenue for each 1% tariff increase	2011/12 additional revenue owing to % tariff increases	2011/12 Total Budgeted revenue
	%	%	%	R'000	R'000	R'000
Property rates	9	9	9	500	563	564
Sanitation	9	10	9	500	188	188
Solid Waste	9	13	14	500	113	225
Water	9	12	10	500	413	413
Electricity	22	15	14	3 440	1 158	1 245
Total				5 440	2 435	2 635

Revenue to be generated from property rates is R7.5 million in the 2011/12 financial year and increases to R8.063 million by 2013/14 which represents 6.98 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll. In addition there are still outstanding objections, although significant progress was made in dealing with these objections in the 2010/11 financial year. It is anticipated that the process will be concluded by the end of 2012. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the near future. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R25.4 million for the 2011/12 financial year and increasing to R27.5 million by 2013/14. For the 2011/12 financial year services charges amount to 33 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R42.0 million, R45.1 million and R47.2 million for each of the respective financial years of the MTREF, or 7, 7 and 6 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 11.6 per cent and 8.9 per cent for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R150 K, R164 K and R171 K for the respective three financial years of the 2011/12 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 25 MBRR SA16 – Investment particulars by maturity

Investments by Maturity	Ref	Period of Investment	Type of Investment	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	1	Yrs/Months			Rand thousand	
Parent municipality						
FNB – 74087371453		N/A	Short-term Investment	N/A	1,243	124
SWTLK		N/A	Shares	N/A	15	12
Momentum		N/A	Long-term Investment	N/A	1,167	117
FNB – 62046158433		N/A	Fixed Term	N/A	82	74
FNB – 74029331259		N/A	Fixed Term	N/A	6	5
FNB – 62005171533		N/A	Fixed Term	N/A	23	2
FNB – 71045321107		N/A	Fixed Term	N/A	3	2
Municipality sub-total					2,540	338

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a budgeted surplus of R26 million, R28 million and R30 million in each of the financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

Table 26 MBRR Table SA 18 - Capital transfers and grant receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Capital Transfers and Grants									
National Government:				15,079	15,079	15,079	21,118	25,677	41,089
Municipal Infrastructure Grant (MIG)				15,079	15,079	15,079	21,118	25,677	27,089
Regional Bulk Infrastructure Grant	-	-	-	-	-	-			14,000
PTIS									
Neighbourhood Development Partnership Grant	-	-							
Total Capital Transfers and Grants									

1.11.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 27 MBRR Table A7 - Budget cash flow statement
NC092 Dikgatlong - Table A7 Budgeted Cash Flows

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		17,991	25,586	70,036	23,102	23,102	23,102	23,102	24,834	26,697	28,699
Government - operating	1	16,792			42,023	42,023	42,023	42,023	45,175	48,563	52,205
Government - capital	1				15,433	15,433	15,433	15,433	16,590	17,835	19,172
Interest		1,856		3	1,550	1,550	1,550	1,550	1,666	1,791	1,926
Dividends											
Suppliers and employees		49,093		(56,427)	(59,444)	(59,444)	(59,444)	(59,444)	(63,903)	(68,695)	(73,847)
Finance charges			(1,158)	(173)	(150)	(150)	(150)	(150)	(161)	(173)	(186)
Transfers and Grants	1				(7,081)	(7,081)	(7,081)	(7,081)	(7,612)	(8,183)	(8,797)
NET CASH FROM/(USED) OPERATING ACTIVITIES		85,732	24,428	13,438	15,433	15,433	15,433	15,433	16,590	17,834	19,172
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Decrease (Increase) in non-current debtors			0	541							
Decrease (increase) other non-current receivables			2,840								
Decrease (increase) in non-current investments			(2,667)								
Capital assets			(15,016)	(11,771)	(15,433)	(15,433)	(15,433)	(15,433)	(16,590)	(17,835)	(19,172)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(14,843)	(11,230)	(15,433)	(15,433)	(15,433)	(15,433)	(16,590)	(17,835)	(19,172)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans			(560)								
Borrowing long term/refinancing			(2,319)	0							
Increase (decrease) in consumer deposits				(5,238)							
Payments											
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	(2,879)	(5,238)	-	-	-	-	-	-	-
NET INCREASE/(DECREASE) IN CASH HELD		85,732	6,706	(3,030)	(0)	(0)	(0)	(0)	(1)	(1)	(1)
Cash/cash equivalents at the year begin:	2	(2,614)	83,118	89,824				-		(1)	(1)
Cash/cash equivalents at the year end:	2	83,118	89,824	86,794	(0)	(0)	(0)	(0)	(1)	(1)	(2)

The above table shows that cash and cash equivalents of the Municipality were largely depleted between the 2007/08 and 2010/11 financial year moving from a negative cash balance of R7 million to a positive of R27 million with the approved 2010/11 MTREF. With the 2010/11 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase to R32 million by the financial year end.

1.11.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 28 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	83,118	89,824	86,794	(0)	(0)	(0)	(0)	(1)	(1)	(2)
Other current investments > 90 days		(83,576)	(92,095)	(92,095)	2,569	2,569	2,569	2,569	1	1	2
Non current assets - Investments	1	652	1,182	1,182	1,548	1,548	1,548	1,548	1,664	1,789	1,923
Cash and investments available:		194	(1,089)	(4,119)	4,116	4,116	4,116	4,116	1,664	1,789	1,923
<u>Application of cash and investments</u>											
Unspent conditional transfers		–	3,500	4,041	–	–	–	–	–	–	–
Statutory requirements	2				4,073	4,073	4,073	4,073	4,126	5,488	658
Other working capital requirements	3	25,144	20,862	25,554	26,540	32,307	32,307	32,307	(239)	(257)	(276)
Other provisions					7,081	13,081	13,081	13,081			
Total Application of cash and investments:		25,144	24,361	29,595	37,694	49,461	49,461	49,461	3,887	5,231	382
Surplus(shortfall)		(24,949)	(25,450)	(33,713)	(33,578)	(45,345)	(45,345)	(45,345)	(2,223)	(3,442)	1,541

1.11.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 29 MBRR SA10 – Funding compliance measurement

Description R thousand	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expend	
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13
Cash and investments available										
Cash/cash equivalents at the year end	1	83,118	89,824	86,794	(0)	(0)	(0)	(0)	(1)	(1)
Other current investments > 90 days		(83,576)	(92,095)	(92,095)	2,569	2,569	2,569	2,569	1	1
Non current assets - Investments	1	652	1,182	1,182	1,548	1,548	1,548	1,548	1,664	1,789
Cash and investments available:		194	(1,089)	(4,119)	4,116	4,116	4,116	4,116	1,664	1,789
Application of cash and investments										
Unspent conditional transfers		–	3,500	4,041	–	–	–	–	–	–
Unspent borrowing										
Statutory requirements	2				4,073	4,073	4,073	4,073	4,126	5,488
Other working capital requirements	3	25,144	20,862	25,554	26,540	32,307	32,307	32,307	(239)	(257)
Other provisions					7,081	13,081	13,081	13,081		
Long term investments committed	4	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		25,144	24,361	29,595	37,694	49,461	49,461	49,461	3,887	5,231
Surplus(shortfall)		(24,949)	(25,450)	(33,713)	(33,578)	(45,345)	(45,345)	(45,345)	(2,223)	(3,442)

1.11.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

1.11.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.11.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

1.11.4.4 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

1.11.4.5 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

1.11.4.6 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

1.11.4.7 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

1.11.4.8 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the City's policy of settling debtors accounts within 30 days.

1.11.4.9 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

1.12 Councillor and employee benefits

Table 30 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	R ef	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Councillors (Political Office Bearers plus Other)	1	A	B	C	D	E	F	G	H	I
Salary		1,565	1,447	1,851	1,797	2,680	2,680	2,812	2,985	3,013
Pension Contributions					230	259	259	283	395	426
Medical Aid Contributions		200	240	252	58	202	202	217	240	252
Motor vehicle allowance		483	528	755	694	278	278	278	295	377
Cell phone allowance				20	168	170	170	176	189	295
Housing allowance						33	33	41	48	61
Other benefits or allowances				15	67	300	300	315	250	297
In-kind benefits										
Sub Total - Councillors		2,249	2,214	2,893	3,014	3,923	3,923	4,122	4,402	4,720
% increase	4		(1.5%)	30.6%	4.2%	30.1%	–	5.1%	6.8%	7.2%
Senior Managers of the Municipality	2									
Salary		1,817	1,973	1,507	2,303	1,932	1,932	2,508	2,679	2,788
Pension Contributions				340	450	365	365	469	501	531
Medical Aid Contributions					254	223	223	287	306	396
Motor vehicle allowance				342	421			–		
Cell phone allowance					75	36	36	48	51	60
Housing allowance					254	81	81	116	124	176
Performance Bonus					146				–	
Other benefits or allowances				422		82	82	84	90	43
In-kind benefits										
Sub Total - Senior Managers of Municipality		1,817	1,973	2,611	3,903	2,720	2,720	3,511	3,750	3,993
% increase	4		8.6%	32.3%	49.5%	(30.3%)	–	29.1%	6.8%	6.5%
Other Municipal Staff										
Basic Salaries and Wages		8,888	9,660	11,124	14,270	12,013	12,013	15,422	16,502	17,998
Pension Contributions		2,547	2,944	3,114	3,448	1,997	1,997	2,534	2,711	3,199
Medical Aid Contributions					1,636	1,221	1,221	1,548	1,657	2,025
Motor vehicle allowance		1,002	1,037	837	649	–	–	–	–	–
Cell phone allowance						136		174		30

		125	126		16		136		186	
Housing allowance		130	125	439	422	524	524	662	708	486
Overtime		856	1,008	1,413	1,124	289	289	289	309	150
Performance Bonus				2,137	1,388	1,029	1,029	1,276	1,366	1,524
Other benefits or allowances		1,072	204		289	316	316	339	150	253
In-kind benefits						348	348	447	481	565
Sub Total - Other Municipal Staff		14,619	15,104	19,064	23,243	17,872	17,872	22,691	24,069	26,229
% increase	4		3.3%	26.2%	21.9%	(23.1%)	–	27.0%	6.1%	9.0%
Total Parent Municipality		18,684	19,291	24,568	30,160	24,515	24,515	30,324	32,221	34,942

Table 31 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers	Ref	2009/10			Current Year 2010/11			Budget Year 2011/12		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)	4	13		13	13		13	13	2	11
Board Members of municipal entities	5									
Municipal employees										
Municipal Manager and Senior Managers	3	3		3	3		3	4		4
Other Managers	7									
Professionals		4	4	–	5	4	1	9	4	5
Finance					1		1	5		5
Spatial/town planning		2	2		2	2		2	2	
Information Technology		2	2		2	2		2	2	
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other		5	4	1	9	8	1	9	8	1
Technicians		16	8	8	18	15	3	18	13	5
Finance		1	1		3	2	1	3	2	1
Spatial/town planning		7	7		7	6	1	7	5	2
Information Technology		8		8	8	7	1	8	6	2
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other		75	60	15	80	60	20	82	75	7
Clerks (Clerical and administrative)		5	4	1	14	7	7	16	12	4
Service and sales workers										

Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
TOTAL PERSONNEL NUMBERS		121	80	41	142	94	48	151	114	37
% increase					17.4%	17.5%	17.1%	6.3%	21.3%	(22.9%)
Total municipal employees headcount		6								
Finance personnel headcount	8									
Human Resources personnel headcount	8									

1.13 Monthly targets for revenue, expenditure and cash flow

Table 32 MBRR SA25 – Budgeted summary

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Financial Performance										
Property rates	3,662	4,303	7,424	2,000	7,000	7,000	7,000	7,500	7,875	8,269
Service charges	18,002	17,388	30,654	20,300	26,300	26,300	26,300	26,300	27,615	28,996
Investment revenue	–	259	3	150	150	150	150	3	3	3
Transfers recognised - operational	16,792	21,194	31,774	42,023	42,023	42,023	42,023	42,023	44,124	46,330
Other own revenue	4,180	3,214	6,287	1,892	1,892	1,892	1,892	6,287	6,601	6,931
Total Revenue (excluding capital transfers and contributions)	42,635	46,357	76,141	66,365	77,365	77,365	77,365	82,112	86,218	90,529
Employee costs	16,184	15,104	19,064	20,494	20,494	20,494	20,494	11,104	11,658	12,264
Remuneration of councillors	–	2,376	2,893	3,923	3,923	3,923	3,923	4,122	4,431	4,764
Depreciation & asset impairment	–	–	–	–	–	–	–	–	–	–
Finance charges	–	218	173	150	150	150	150	150	128	51
Materials and bulk purchases	13,487	12,732	20,192	18,000	18,000	18,000	18,000	18,000	21,450	26,447
Transfers and grants	–	–	229	16,173	16,173	16,173	16,173	16,569	17,812	19,148
Other expenditure	21,224	17,751	34,935	23,058	29,058	29,058	29,058	29,409	36,706	30,840
Total Expenditure	50,896	48,181	77,485	81,798	87,798	87,798	87,798	79,354	92,185	93,513
Surplus/(Deficit)	(8,260)	(1,824)	(1,344)	(15,433)	(10,433)	(10,433)	(10,433)	2,759	(5,967)	(2,984)
Transfers recognised - capital	–	–	–	15,433	15,433	15,433	15,433	19,750	23,331	18,050
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(8,260)	(1,824)	(1,344)	–	5,000	5,000	5,000	22,509	17,364	15,066
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(8,260)	(1,824)	(1,344)	–	5,000	5,000	5,000	22,509	17,364	15,066

<u>Capital expenditure & funds sources</u>										
Capital expenditure	5,181	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	7,193	-	-	4,030	4,030	4,030	4,030	21,118	25,677	41,089
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-	-
Total sources of capital funds	7,193	-	-	4,030	4,030	4,030	4,030	21,118	25,677	41,089
<u>Financial position</u>										
Total current assets	20,773	26,066	19,886	20,268	20,268	20,268	20,268	239	257	276
Total non current assets	6,119	7,206	18,748	34,114	34,114	34,114	34,114	1,664	1,789	1,923
Total current liabilities	41,287	49,256	64,626	53,197	53,197	53,197	53,197	8,464	9,099	9,781
Total non current liabilities	4,810	3,301	2,545	1,185	1,185	1,185	1,185	-	-	-
Community wealth/Equity	(26,838)	(19,285)	(28,537)	-	-	-	-	-	-	-
<u>Cash flows</u>										
Net cash from (used) operating	85,732	24,428	13,438	15,433	15,433	15,433	15,433	16,590	17,834	19,172
Net cash from (used) investing	-	(14,843)	(11,230)	(15,433)	(15,433)	(15,433)	(15,433)	(16,590)	(17,835)	(19,172)
Net cash from (used) financing	-	(2,879)	(5,238)	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	83,118	89,824	86,794	(0)	(0)	(0)	(0)	(1)	(1)	(2)
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	194	(1,089)	(4,119)	4,116	4,116	4,116	4,116	1,664	1,789	1,923
Application of cash and investments	25,144	24,361	29,595	37,694	49,461	49,461	49,461	3,887	5,231	382
Balance - surplus (shortfall)	(24,949)	(25,450)	(33,713)	(33,578)	(45,345)	(45,345)	(45,345)	(2,223)	(3,442)	1,541

Table 33 MBRR SA26 - Budgeted monthly revenue and expenditure (standard classification)

Standard Classification Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue - Standard										
Governance and administration		24,064	28,214	42,853	66,037	51,365	51,365	56,112	58,918	61,864
Executive and council		20,457	25,499	29,344	-	-	-	-	-	-
Budget and treasury office		-	-	-	61,798	51,365	51,365	56,112	58,918	61,864
Corporate services		3,608	2,715	13,510	4,239	-	-	-	-	-
Community and public safety		385	540	482	-	-	-	-	-	-
Community and social services		169	179	277	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		217	361	205	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		183	215	162	472	-	-	-	-	-
Planning and development		183	215	139	472	-	-	-	-	-
Road transport		-	-	23	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		18,002	17,388	32,644	20,000	26,000	26,000	26,000	27,300	28,665
Electricity		7,211	6,191	15,940	12,000	17,000	17,000	17,000	17,850	18,743
Water		6,089	5,532	8,390	5,000	5,000	5,000	5,000	5,250	5,513
Waste water management		1,610	1,935	2,143	3,000	2,000	2,000	2,000	2,100	2,205
Waste management		3,092	3,730	6,172	-	2,000	2,000	2,000	2,100	2,205
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	42,635	46,357	76,141	86,509	77,365	77,365	82,112	86,218	90,529
Expenditure - Standard	-									
Governance and administration		26,594	22,188	36,855	55,582	44,318	44,318	49,856	51,673	54,147
Executive and council		15,298	10,393	31,103	9,894	6,214	6,214	6,697	6,992	7,295
Budget and treasury office		-	-	-	42,818	35,586	35,586	38,895	40,202	42,154
Corporate services		11,296	11,795	5,752	2,869	2,517	2,517	4,265	4,480	4,698
Community and public safety		3,310	4,120	1,710	1,811	1,811	1,811	2,598	2,728	2,865
Community and social services		3,028	3,825	1,245	1,703	1,703	1,703	2,126	2,232	2,344
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		282	295	465	107	107	107	473	496	521
Health		-	-	-	-	-	-	-	-	-

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Economic and environmental services		90	106	4,653	14,046	13,225	13,225	14,506	15,555	16,681
Planning and development		90	106	–	1,307	485	485	719	755	793
Road transport		–	–	4,653	12,739	12,739	12,739	13,786	14,800	15,888
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		20,902	21,768	34,267	10,359	10,953	10,953	13,434	14,105	14,811
Electricity		6,918	9,095	9,547	1,114	1,114	1,114	1,337	1,404	1,474
Water		10,014	7,272	14,716	4,712	4,712	4,712	5,669	5,952	6,250
Waste water management		2,722	3,370	5,094	4,533	5,128	5,128	6,428	6,750	7,087
Waste management		1,248	2,031	4,911	–	–	–	–	–	–
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	3	50,896	48,181	77,485	81,798	70,307	70,307	80,393	84,062	88,503
Surplus/(Deficit) for the year		(8,260)	(1,824)	(1,344)	4,711	7,058	7,058	1,719	2,156	2,026

Table 34 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand	1										
Revenue By Source											
Property rates	2	3,662	4,303	7,424	2,000	7,000	7,000	7,000	7,500	7,875	8,269
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	7,211	6,191	15,940	12,000	17,000	17,000	17,000	17,000	17,850	18,743
Service charges - water revenue	2	6,089	5,532	8,390	5,000	5,000	5,000	5,000	5,000	5,250	5,513
Service charges - sanitation revenue	2	1,610	1,935	1,828	2,000	2,000	2,000	2,000	2,000	2,100	2,205
Service charges - refuse revenue	2	3,092	3,730	4,496	1,000	2,000	2,000	2,000	2,000	2,100	2,205
Service charges - other					300	300	300	300	300	315	331
Rental of facilities and equipment		217		247	220	220	220	220	247	259	272
Interest earned - external investments			259	3	150	150	150	150	3	3	3
Interest earned - outstanding debtors		1,856	2,409	5,846	1,400	1,400	1,400	1,400	5,846	6,138	6,445
Dividends received										-	-
Fines		-			102	102	102	102	101	107	112
Licences and permits		183	215	101						-	-
Agency services										-	-
Transfers recognised - operational		16,792	21,194	31,774	42,023	42,023	42,023	42,023	42,023	44,124	46,330
Other revenue	2	1,924	590	93	170	170	170	170	93	98	102
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		42,635	46,357	76,141	66,365	77,365	77,365	77,365	82,112	86,218	90,529
Expenditure By Type											
Employee related costs	2	16,184	15,104	19,064	20,494	20,494	20,494	20,494	11,104	11,658	12,264
Remuneration of councillors			2,376	2,893	3,923	3,923	3,923	3,923	4,122	4,431	4,764
Debt impairment	3			28,141	7,081	13,081	13,081	13,081	13,117	18,286	10,971
Depreciation & asset impairment	2	-	-	-	-	-	-	-	-	-	-
Finance charges			218	173	150	150	150	150	150	128	51
Bulk purchases	2	13,487	12,732	20,192	18,000	18,000	18,000	18,000	18,000	21,450	26,447
Other materials	8										
Contracted services		-	-	2,283	3,790	3,790	3,790	3,790	3,190	2,996	2,826

Transfers and grants				229	16,173	16,173	16,173	16,173	16,569	17,812	19,148
Other expenditure	4, 5	21,224	17,751	4,510	12,187	12,187	12,187	12,187	13,102	15,424	17,042
Loss on disposal of PPE											
Total Expenditure		50,896	48,181	77,485	81,798	87,798	87,798	87,798	79,354	92,185	93,513
Surplus/(Deficit)		(8,260)	(1,824)	(1,344)	(15,433)	(10,433)	(10,433)	(10,433)	2,759	(5,967)	(2,984)
Transfers recognised - capital					15,433	15,433	15,433	15,433	19,750	23,331	18,050
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		(8,260)	(1,824)	(1,344)	-	5,000	5,000	5,000	22,509	17,364	15,066
Taxation											
Surplus/(Deficit) after taxation		(8,260)	(1,824)	(1,344)	-	5,000	5,000	5,000	22,509	17,364	15,066
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(8,260)	(1,824)	(1,344)	-	5,000	5,000	5,000	22,509	17,364	15,066
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(8,260)	(1,824)	(1,344)	-	5,000	5,000	5,000	22,509	17,364	15,066

Table 35 MBRR SA28 – Social, economic and demographic statistic assumption

Description of economic indicator	Basis of calculation	1996 Census	2001 Census	2007 Survey	2007/8	2008/9	2009/10	Current Year 2010/11	2011/12 Medium Term Revenue & Expenditure Framework		
<u>Demographics</u>											
Population			63	69	72	80	84	85	85	85	85
Females aged 5 - 14											
Males aged 5 - 14											
Females aged 15 - 34											
Males aged 15 - 34											
Unemployment			13	14	15	16	17	17	17	17	17
<u>Household income (households) (1.)</u>	-										
None											
R1 - R4800											
R4800 - R9600											
<u>Poverty profiles (2.)</u>											
Insert description											
<u>Household/demographics (000)</u>											
Number of people in municipal area			63,258	68,968	72	80	84	85	85	85	85
Number of poor people in municipal area											
Number of households in municipal area				7,145	9	10	10	10	11	11	11
Number of poor households in municipal area					2	3	3	3	3	3	3
Definition of poor household (R per month)											
<u>Housing statistics (3.)</u>											
Formal							6,955	6,988	7,014	7,014	7,014
Informal							2,827	2,870	3,865	3,865	3,865
Total number of households		-	-	-	-	-	9,782	9,858	10,879	10,879	10,879
Dwellings provided by municipality (4.)											
Dwellings provided by province/s											
Dwellings provided by private sector (5.)											
Total new housing dwellings		-	-	-	-	-	-	-	-	-	-
<u>Economic (6.)</u>											
Inflation/inflation outlook (CPIX)					5.0%	8.1%	9.9%	6.7%	5.7%	6.2%	5.9%
Interest rate - borrowing					12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Interest rate - investment		-	-	-	10.0%	12.0%	10.8%	9.5%	9.0%	9.0%	9.0%
Remuneration increases					6.0%	6.5%	8.3%	10.0%	8.0%	6.0%	5.5%

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Valuation:	1	2007/01/03	2008/01/01	2008/01/01	2008/01/01					
Date of valuation:		2006/2007	2007/2008	2008/2009	2009/2010			2009/2010		
Financial year valuation used	2	No	No	Yes	Yes			Yes		
Municipal by-laws s6 in place? (Y/N)		Yes	Yes	Yes	Yes			Yes		
Municipal/assistant valuer appointed? (Y/N)		No	No	No	No	No	No	No	No	No
Municipal partnership s38 used? (Y/N)	3	2	2	2	1	1	1	1	1	1
No. of assistant valuers (FTE)	3	2	2	2	1	1	1	1	1	1
No. of data collectors (FTE)	3	1	1	1	1	1	1	1	1	1
No. of internal valuers (FTE)	3									
No. of external valuers (FTE)	3									
No. of additional valuers (FTE)	4									
Valuation appeal board established? (Y/N)		No	No	No	Yes			Yes		
Implementation time of new valuation roll (mths)	6	6	6	6	6			6		
No. of properties	5									
No. of sectional title values	5									
No. of unreasonably difficult properties s7(2)										
No. of supplementary valuations										
No. of valuation roll amendments										
No. of objections by rate payers										
No. of appeals by rate payers										
No. of successful objections	8									
No. of successful objections > 10%	8									
Supplementary valuation										
Public service infrastructure value (Rm)	5									
Municipality owned property value (Rm)										
Valuation reductions:										
Valuation reductions-public infrastructure (Rm)										
Valuation reductions-nature reserves/park (Rm)										
Valuation reductions-mineral rights (Rm)										
Valuation reductions-R15,000 threshold (Rm)										
Valuation reductions-public worship (Rm)										
Valuation reductions-other (Rm)										
Total valuation reductions:		-	-	-	-	-	-	-	-	-

Table 36 MBRR – Supporting Table SA10 Funding Measurement
NC092 Dikgatlong Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Funding measures	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	83,118	89,824	86,794	(0)	(0)	(0)	(0)	(1)	(1)	(2)
Cash + investments at the yr end less applications - R'000	18(1)b	2	(24,949)	(25,450)	(33,713)	(33,578)	(45,345)	(45,345)	(45,345)	(2,223)	(3,442)	1,541
Cash year end/monthly employee/supplier payments	18(1)b	3	33.6	35.4	14.3	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(8,260)	(1,824)	(1,344)	–	5,000	5,000	5,000	22,509	17,364	15,066
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(5.9%)	69.5%	(47.4%)	43.3%	(6.0%)	(6.0%)	(4.5%)	(1.0%)	(1.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	68.4%	92.2%	167.2%	101.4%	68.4%	68.4%	68%	21.5%	74.2%	76.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	0.0%	73.4%	31.4%	39.0%	39.0%	39.0%	38.5%	51.1%	29.2%
Capital payments % of capital expenditure	18(1)c;19	8	0.0%	0.0%	0.0%	383.0%	383.0%	383.0%	383.0%	400.2%	410.0%	413.4%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	28.3%	(25.9%)	0.0%	0.0%	0.0%	0.0%	(98.6%)	7.5%	7.5%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table 37 MBRR SA30 - Budgeted monthly cash flow
NC092 Dikgatlong - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		3,662	4,303	7,424	2,000	7,000	7,000	7,000	7,500	7,875	8,269
<i>less Revenue Foregone</i>											
Net Property Rates		3,662	4,303	7,424	2,000	7,000	7,000	7,000	7,500	7,875	8,269
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		7,211	6,191	15,940	12,000	17,000	17,000	17,000	17,000	17,850	18,743
<i>less Revenue Foregone</i>											
Net Service charges - electricity revenue		7,211	6,191	15,940	12,000	17,000	17,000	17,000	17,000	17,850	18,743
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		6,089	5,532	8,390	5,000	5,000	5,000	5,000	5,000	5,250	5,513
<i>less Revenue Foregone</i>											
Net Service charges - water revenue		6,089	5,532	8,390	5,000	5,000	5,000	5,000	5,000	5,250	5,513
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		1,610	1,935	1,828	2,000	2,000	2,000	2,000	2,000	2,100	2,205
<i>less Revenue Foregone</i>											
Net Service charges - sanitation revenue		1,610	1,935	1,828	2,000	2,000	2,000	2,000	2,000	2,100	2,205
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		3,092	3,730	4,496	1,000	2,000	2,000	2,000	2,000	2,100	2,205
Total landfill revenue											
<i>less Revenue Foregone</i>											
Net Service charges - refuse revenue		3,092	3,730	4,496	1,000	2,000	2,000	2,000	2,000	2,100	2,205
<u>Other Revenue by source</u>											
Fuel levy											
Other revenue	3	1,924	590	93	170	170	170	170	93	98	102

Total 'Other' Revenue	1	1,924	590	93	170	170	170	170	93	98	102
EXPENDITURE ITEMS:											
<u>Employee related costs</u>											
Salaries and Wages	2	10,003	9,660	11,124	13,998	13,998	13,998	13,998	8,030	8,431	8,853
Contributions to UIF, pensions, medical aid		4,050	2,944	3,114	4,073	4,073	4,073	4,073	2,156	2,263	2,399
Travel, motor car, accom; & other allowances		407	1,163	837	509	509	509	509	195	205	215
Housing benefits and allowances		489	125	439	596	596	596	596	359	377	396
Overtime		255	1,008	1,413	289	289	289	289			
Performance bonus		981		735	1,029	1,029	1,029	1,029	364	382	401
Long service awards											
Payments in lieu of leave			204	1,402							
Post-retirement benefit obligations	4										
<i>sub-total</i>	5	16,184	15,104	19,064	20,494	20,494	20,494	20,494	11,104	11,658	12,264
<u>Less: Employees costs capitalised to PPE</u>											
Total Employee related costs	1	16,184	15,104	19,064	20,494	20,494	20,494	20,494	11,104	11,658	12,264

1.14 Annual budgets and SDBIPs – internal departments

1.14.1 Water Services Department

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

1.15 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance of the Municipality.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA. A qualified financial accountant has been appointed to assist the financial team in meeting the targets of the Municipality and also assist in reporting to the Treasury.
4. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2010/11 MTREF in May 2011 directly aligned and informed by the 2011/12 MTREF.
5. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training is presented by Treasury for those who aspire to acquire this information can log-in to the Treasury Website for further detail.

1.16 Municipal manager's quality certificate

I, H Robertson, municipal manager of Dikgatlong Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name H Robertson

Municipal manager of Dikgatlong Municipality (NC092)

Signature _____

Date 29 September 2011